

“High and Rising Inequality: Causes and Consequences”

Janet C. Gornick

Professor of Political Science and Sociology,
The Graduate Center, City University of New York
Director of LIS, Cross-National Data Center in Luxembourg

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Overview

1. LIS: Cross-National Data Center in Luxembourg
a resource for cross-national research on inequality
2. Contemporary portrait: levels and trends in inequality
focus on income inequality across households
3. High and rising inequality: causes
4. High and rising inequality: consequences
5. Strengthening data capacity (time permitting)
“high quality information drives sustainable development”



LIS: Cross-National Data Center in Luxembourg:
a resource for cross-national research on inequality

www.lisdatacenter.org



LIS

- is a cross-national data archive in Luxembourg, with a satellite office at the Graduate Center of the City University of New York;
- enables, facilitates, promotes, and conducts cross-national comparative research on socio-economic outcomes and on the institutional factors that shape those outcomes;
- acquires and harmonizes datasets and makes them available to scholars and analysts around the world;
- houses datasets from nearly 50 countries; about half include repeated cross-sections going back 2-3 decades;
- allows analysts to work with harmonized *micro-data*.



Contemporary portrait: levels and trends in inequality



Figure 1

Income inequality varies across high- and upper-middle-income countries.

Gini coefficient, most recent time point, post-tax-post-transfer income
(data source: LIS Key Figures, 32 countries – 26 high-income, 6 upper-middle-income)

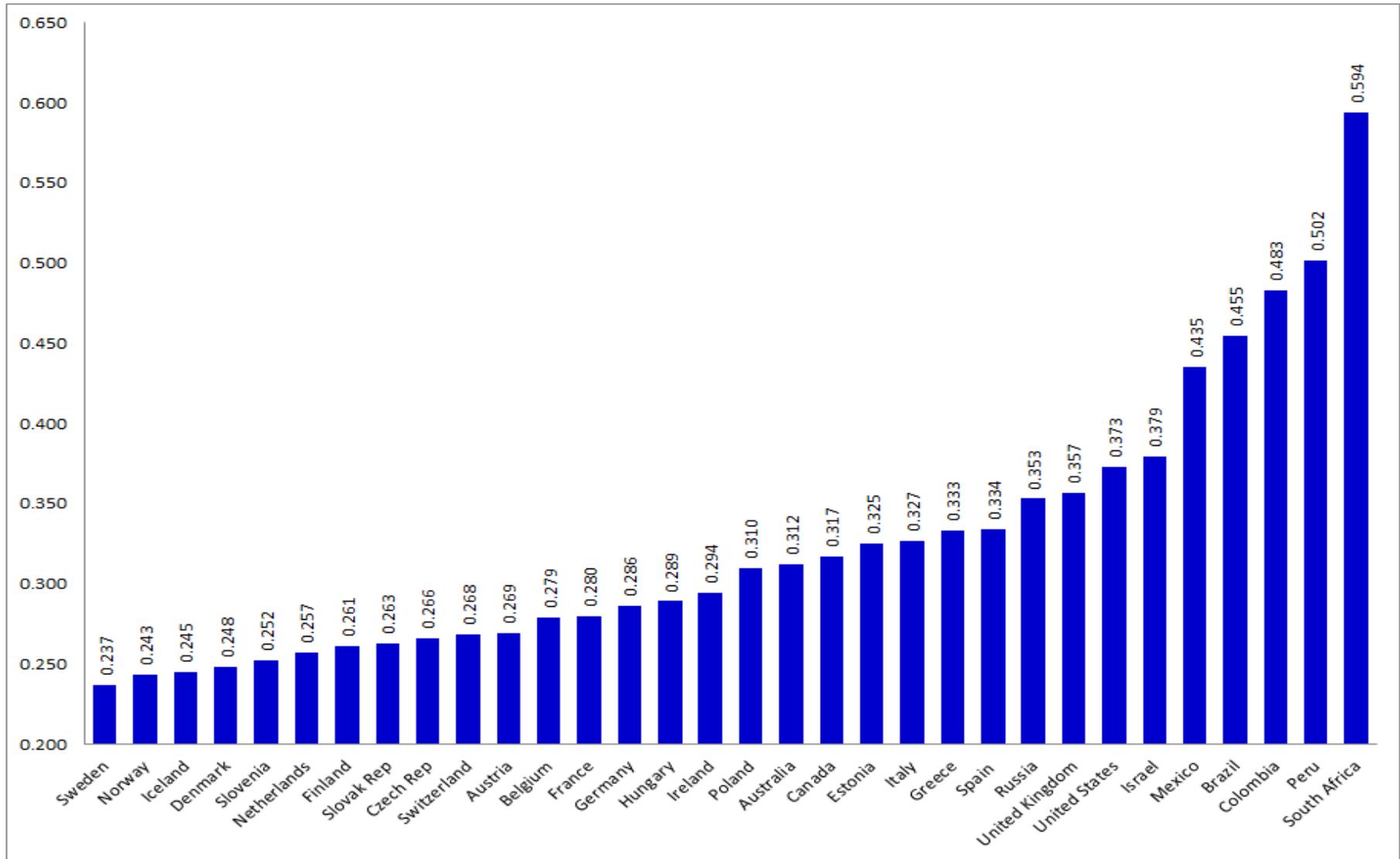


Figure 2

Income inequality has risen in many high-income countries.

Gini coefficient, approx. 1985-2010, post-tax-post-transfer income
(data source: LIS Key Figures, 10 countries)

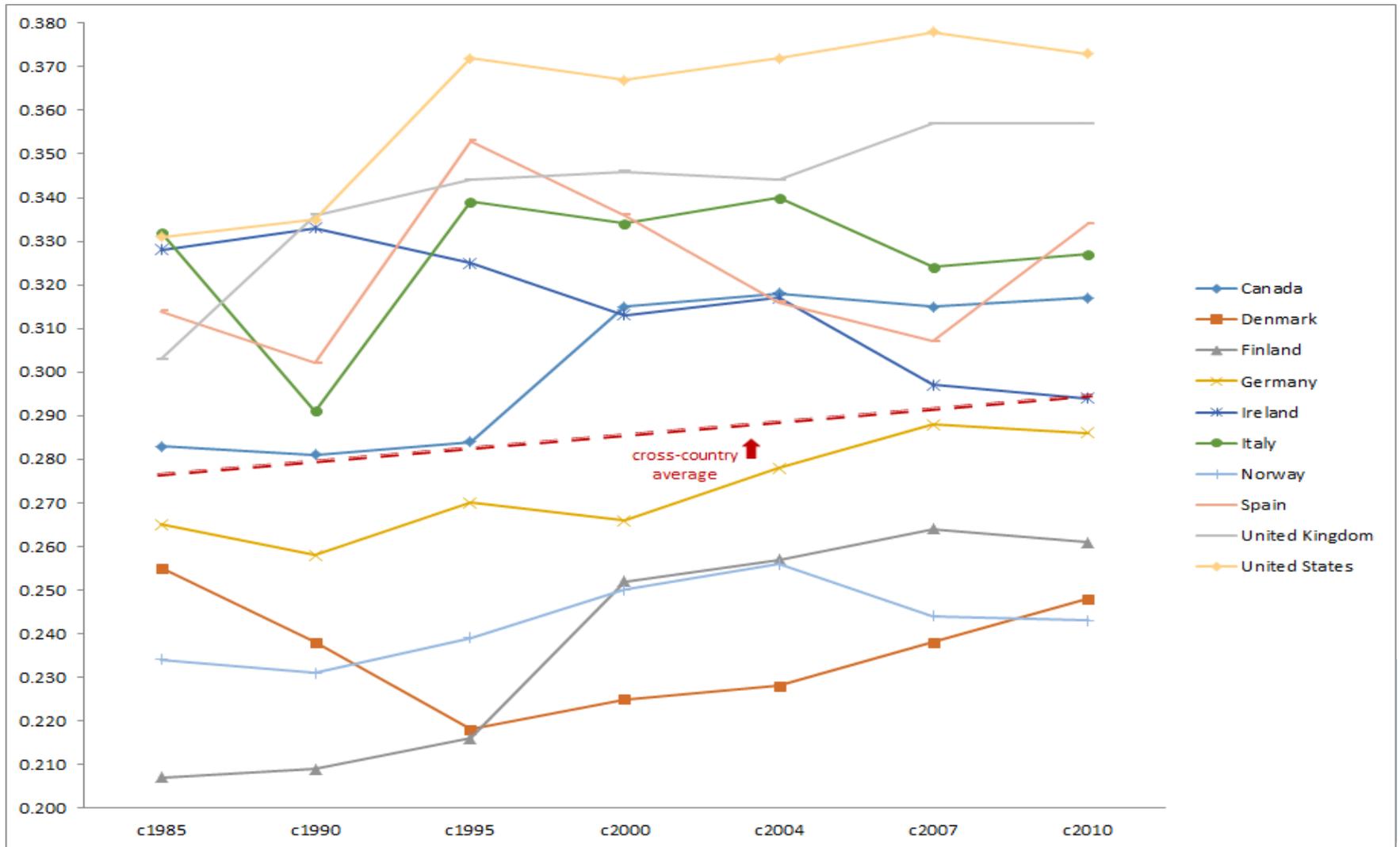


Figure 3

The middle class has diminished in size in many high-income countries.

change in share between ½ and 2x median, approx. 1985-2010, post-tax-post-transfer income
(data source: LIS microdata, from N. Johnson and D. Johnson, same 10 countries)

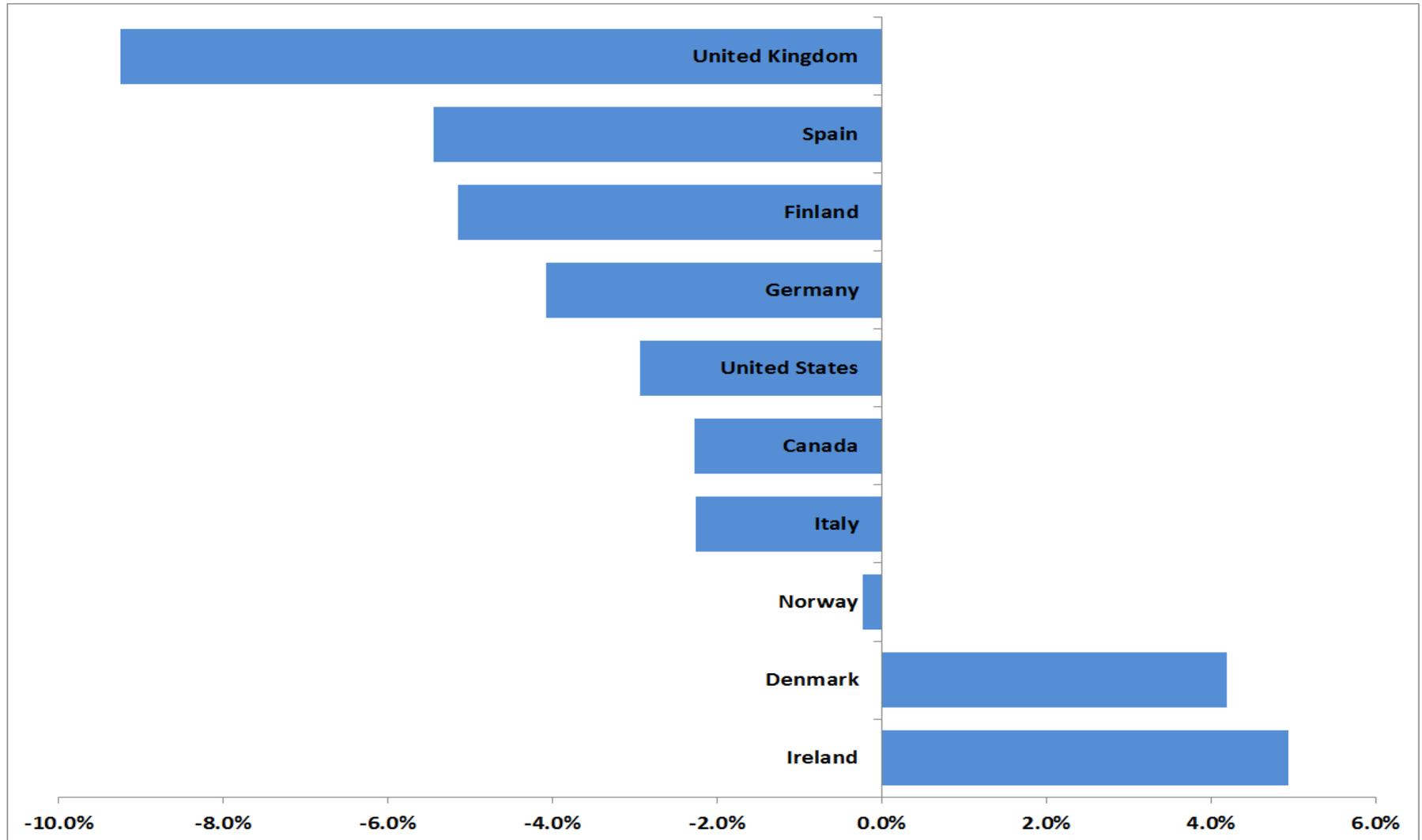


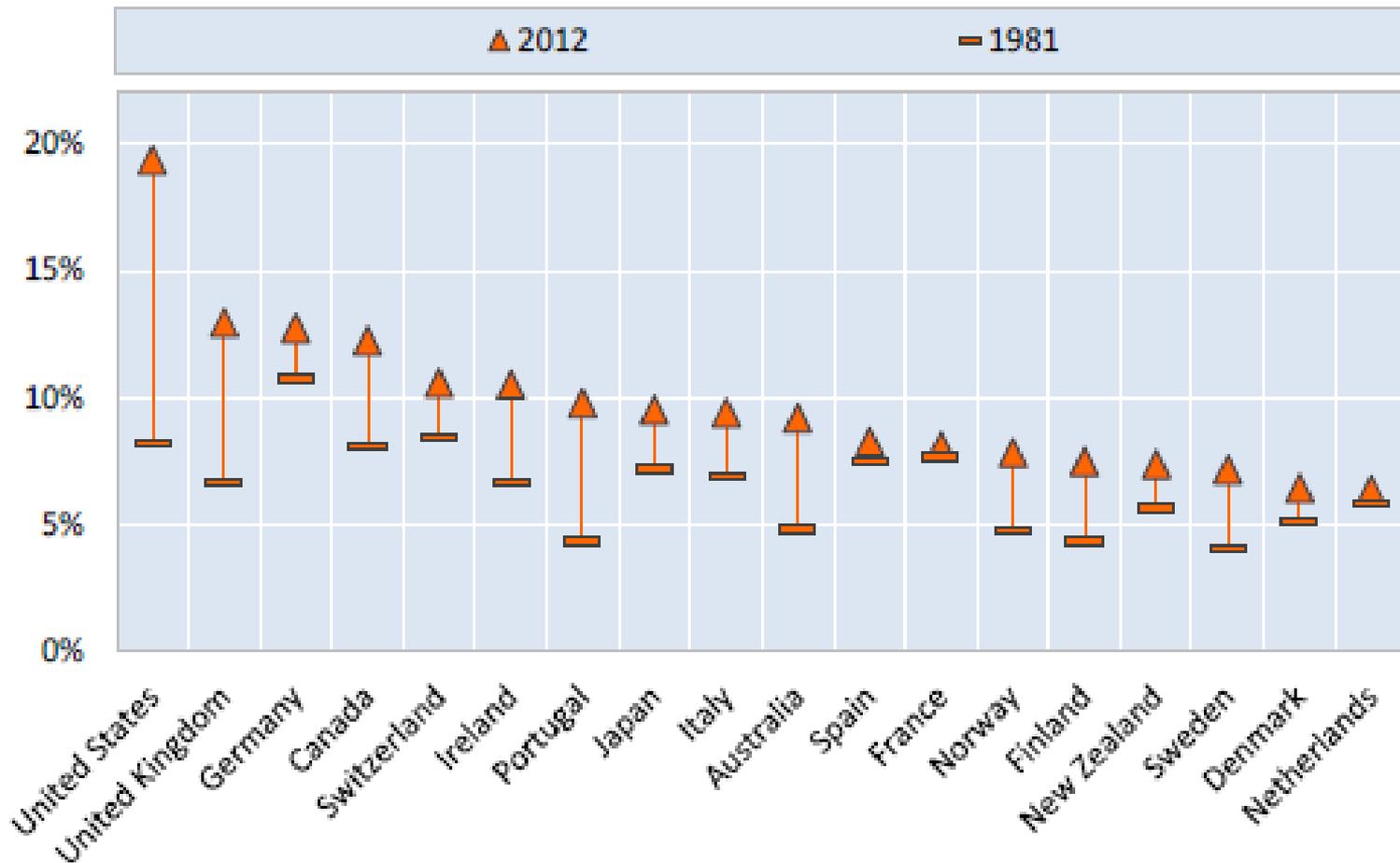
Figure 4

Top income shares have risen in many high-income countries.

top 1 percent, approx. 1981 to 2012, pre-tax income
(data source: World Top Incomes Database, from OECD)

1 Top incomes surged

Shares of top 1% incomes in total pre-tax income, 1981-2012 (or closest)



High and rising inequality: causes



causes

High and rising income inequality may be shaped by:

- globalization (e.g., openness of trade, movement of capital, outsourcing);
- growing importance of technical skills;
- “financialization”;
- changes in the way that high earners are compensated; changing pay norms;
- weakening protections for low-earning workers;
- changes in household structure, especially the rise of one-adult households;
- reductions in redistributive policies that lessen market-generated inequality.



one countervailing factor

- In nearly every high-income country, women's engagement in paid work has risen in the last three decades – especially in the form of increased labor force participation.
- A growing literature finds that women's contributions to household income mitigate income inequality across households. That is because women's increased contributions to household income have pulled up the bottom more than they have pushed up the top.



High and rising inequality: consequences



consequences

High and rising income inequality may harm or thwart:

- living standards at the bottom (poverty);
- intergenerational mobility;
- economic growth;
- social cohesion and a range of outcomes;
- the democratic process.



Strengthening data capacity



Strengthening data capacity

Proposed Sustainable Development Goal (SDG):

Goal 10. Reduce inequality within and among countries

10.1 By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average

Ban Ki-Moon: "... there is nothing inevitable about inequality. Our shared goal should aim at taking practical steps to remove this formidable barrier to development and human dignity."

Kofi Annan: "Knowledge is power. Information is liberating."

Bono: "I thought, forget the rock opera, forget the bombast, the only thing I would be singing today is the facts...Enter the evidence activist. The 'factivist.' "



Strengthening data capacity

First, we need:

- ★ theoretical and technical advances to enable us to more meaningfully define and compare inequality across countries at all levels of economic development and from diverse regions

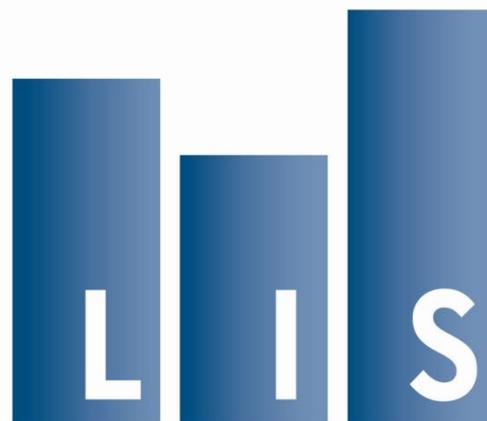
Second, we need more data, higher quality data, and more fine-grained data on socio-economic wellbeing and standards of living:

- ★ more disaggregated data, by ethnicity, race, geography, family structure, disability, gender, caste, and class
- ★ more standardization of data across countries and over time
- ★ more timely processing and releasing of data, so that we can learn and monitor “in real time”
- ★ fewer legal and administrative restrictions on sharing data beyond national borders

Third, we need more resources and new strategies for enhancing existing resources:

- ★ more resources for national statistical offices and other producers of national and subnational data
- ★ more resources for projects that acquire and harmonize data across countries
- ★ more resources for making data and analyses available to political actors, policy-makers, and activists
- ★ more opportunities for volunteers to join the “data revolution”





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Thank You

Janet C. Gornick, Director